



STATE OF TENNESSEE
DEPARTMENT OF COMMERCE AND INSURANCE
SECURITIES DIVISION
BROKER-DEALER SECTION
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TENNESSEE
INVESTMENT ADVISER REPRESENTATIVE REGISTRATION

The final version of amendments to the Tennessee Securities Rules relating to the commencement of Investment Adviser Representative Registration in Tennessee is now viewable on the Securities Division's website under Current Issues and Laws and Rules at:

<http://www.state.tn.us/commerce/securities/index.html>

A copy of the final rules may be downloaded as a PDF file from the website or requested by E-mail at Securities.2@state.tn.us. A copy of the final rules in paper format may be requested from the Division at the above address and telephone numbers.

Also available on the website is a PDF file containing the legislation which enacted Investment Adviser Representative Registration in Tennessee as of January 1, 2004.

Investment Adviser Representative Registration is required for individuals who conduct an investment advisory business from or in Tennessee on behalf of investment advisers which are registered in Tennessee or on behalf of SEC-registered investment advisers which are notice filed in Tennessee. The investment adviser representative registration requirements in Tennessee do not apply to investment adviser representatives who are associated with notice filed investment advisers and who do not have a place of business in Tennessee.

A public hearing before the Department of Commerce and Insurance to consider the promulgation of the proposed rules respecting the registration of investment adviser representatives and other regulatory requirements under the Tennessee Securities Act of 1980, as amended, was held at Nine (9) o'clock in the morning, Central Standard Time on the 15th day of August, 2003. The hearing was conducted in the manner prescribed by the Uniform Administrative Procedures Act (UAPA), Tennessee Code Annotated, 4-5-204, and took place in the offices of the Securities Division. Written comments were accepted at the hearing and responses to those comments were issued on October 31, 2003. Pursuant to the UAPA, the proposed rules were subsequently reviewed for legality by the Office of the Attorney General and Reporter and are scheduled for final adoption on June 19, 2004.

HIGHLIGHTS

TENNESSEE INVESTMENT ADVISER REPRESENTATIVE REGISTRATION PROPOSED RULES

1. Individuals who meet the following statutory definition became subject to investment adviser representative registration in Tennessee beginning January 1, 2004:

Tennessee Code Annotated 48-2-102. Definitions.

(11) [Effective January 1, 2004] "Investment adviser representative" means any partner, officer, or director of (or person occupying a similar status or performing similar functions) an investment adviser, or other individual, except clerical or ministerial personnel, who is employed by or associated with an investment adviser and does any of the following:

(A) Makes any recommendation or otherwise renders advice regarding securities;

(B) Manages accounts or portfolios of clients;

(C) Determines which recommendation or advice regarding securities should be given;

(D) Solicits, offers or negotiates for sale of or sells investment advisory services; or

(E) Supervises employees who perform any such actions;

"Investment adviser representative" does not include such other persons not within the intent of this subdivision (11) as the commissioner may, by rule, exempt from this definition as not in the public interest and necessary for the protection of investors.

2. Applications for investment adviser representative registration should be filed on Form U4 through Web CRD/IARD.

3. Initial and renewal registration filing fees are \$50.00 and are collected through Web CRD/IARD.

4. Written comments on the proposed rules, the Securities Division's written responses to those comments and the final rules to be adopted as of June 19, 2004 are now viewable on the Securities Division's website at the website address displayed on page 1 of this notice.

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5. The proposed rules provided that investment adviser representatives seeking registration in Tennessee on or after April 1, 2004 would be subject to the qualification examination requirements delineated in proposed rule 0780-4-3-.01(10) Examination of Investment Adviser Representatives. However, the proposed rules remained under review by the Office of the Attorney General and Reporter at April 1, 2004 and, as a result, the examination requirements delineated in proposed rule 0780-4-3-.01(10) Examination of Investment Adviser Representatives did NOT become effective on April 1, 2004. The investment adviser representative qualification examination requirements delineated in rule 0780-4-3-.01(10) Examination of Investment Adviser Representatives will become effective on June 19, 2004. The qualification examination requirements of rule 0780-4-3-.01(10) will apply to all applications for investment adviser representative registration filed with the Securities Division on or after June 19, 2004.

6. Section 203A(b)(1)(A) of the Investment Advisers Act of 1940 (IA Act) provides in part that no law of any State or political subdivision thereof requiring the registration, licensing, or qualification as an investment adviser or supervised person of an investment adviser shall apply to any person that is registered under Section 203 as an investment adviser, or that is a supervised person of such person, except that a State may license, register, or otherwise qualify any RA who has a place of business located within that State. Thereby, the investment adviser representative registration requirements in Tennessee generally do not apply to investment adviser representatives who are associated with notice filed investment advisers and who do not have a place of business in Tennessee.

7. The proprietor of a sole proprietorship registered in Tennessee as an investment adviser must register separately as an investment adviser representative of the sole proprietorship if the proprietor acts as an investment adviser representative in Tennessee. The proprietor of a sole proprietorship which is an SEC-registered investment adviser notice filed in Tennessee must register separately as an investment adviser representative of the sole proprietorship if the proprietor acts as an investment adviser representative for the sole proprietorship and has a place of business in Tennessee.

8. In response to written comment, rule 0780-4-3-.01(9)(j) Investment Adviser Representative Registration has been adopted to create an exemption for individuals who are associated with SEC-registered investment advisers and who are excluded from the SEC's definition of "investment adviser representative" in SEC Rule 275.203A-3.

9. In response to written comment, rule 0780-4-3-.01(9)(k) Investment Adviser Representative Registration has been adopted to create an exemption for individuals who solicit potential investment advisory clients on behalf of contracted solicitors but who are not compensated for this activity.

FILING APPLICATIONS IN IARD FOR INVESTMENT ADVISER REPRESENTATIVE REGISTRATION IN TENNESSEE

1. Applications for investment adviser representative ("RA") registration in Tennessee may be filed in IARD by SEC-registered and state-registered investment advisers on or after January 2, 2004.

2. IARD user accounts must be specifically entitled for the submission of RA form filings in order to submit applications for RA registration in Tennessee through IARD.

3. IARD Account Administrators should immediately confirm that appropriate IARD user accounts at their firms are entitled for the submission of RA form filings.

4. To request initial entitlement for the submission of RA form filings, or to request such entitlement for additional user accounts, the firm's Account Administrator may review entitlement procedures on the IARD websites listed below and may contact the IARD Gateway Call Center.

5. U4 Filings for RA applicants who do not meet the basic qualification examination requirements established in IARD may cause the scheduling of the Series 65 examination for that RA applicant. Until such examination requirements are implemented by rule on June 19, 2004, firms may request a refund of the Series 65 examination fee by contacting the Securities Division's Broker-Dealer Section.

6. IARD: <http://www.iard.com/Default.asp>

7. IARD Contact Us: http://www.iard.com/support_contacts.asp

Contact the Gateway Call Center at 240.386.4848 or at webiard@nasd.com with questions related to IARD Accounting, system entitlement, navigation and usage.

8. IARD User Support: <http://www.iard.com/UserSupport.asp>

Please see IARD Frequently Asked Questions [Administrative Tools (including Entitlement) & Form Filing for Investment Adviser Representatives (RA)] and IARD User's Manual [Chapter 9: Individual Form Filing].

9. IARD information for SEC registrants: <http://www.sec.gov/iard>

10. Please contact the Department of Commerce and Insurance, Securities Division, Broker-Dealer Section at 800-863-9117, 615-741-3187 or at Securities.2@state.tn.us with any questions or comments regarding this notice.